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Christine Economides, Michael Economides

Interviewer: Scott Sterling

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Scott Sterling introduced Christine and Michael Economides from the Petroleum Engineering Department at the University of Alaska Fairbanks. Sterling said they will be discussing oil development in Alaska's future.

Sterling asked about the current status of oil development in Alaska. He said state revenues are between 90 and 97 percent derived from Prudhoe Bay and asked what the role of oil will be in the next fifty years in terms of the state's economy and revenue. Michael Economides said he believes Alaska will have a profoundly dependent economy on petroleum. He believes Alaska will continue to have expanded oil development over the next thirty years.

Sterling asked Christine Economides how much longer Prudhoe Bay will be a viable oil field. She said Prudhoe Bay has about eight billion barrels of recoverable oil and produces about one and a half million barrels per day and that works out to be about sixteen years at the present rate of production. She assumes it will be in decline and believes they are near that point right now. She thinks the life of the oil field will extend beyond sixteen years. Sterling asked about the prospects for new oil fields in Alaska. Michael Economides said the likelihood of finding an oil field of the Prudhoe oil field is remote. It is the largest field ever discovered on this continent and one of the largest in the world. He believes future production will come from smaller reservoirs.

Sterling asked about outer continental shelf state leases versus federal leases. Christine Economides said shallow waters will be leased by the state and deeper waters by the federal government. The major benefit from the federal leases will be employment of Alaskans. She thought the state needs to be more aware of the impact of employment by the petroleum industry on the state in addition to direct dollars from royalty oil. Sterling asked if the industry is technologically ready for deeper water in arctic and northern Alaska conditions. Christine Economides said she believes they are. She said she has asked major producers and they said they are ready for this. Their technology has been well ahead of what is actually being used. Sterling asked if Alaska presents unique challenges to the oil industry. Christine Economides thought they have done very well and the record has been impressive. There have been few major accidents and environmental impacts. The sea ice that forms in the Arctic is a problem that is not faced in other major producing areas and requires some technological development. Michael Economides said the technology does pose unique issues because of the harshness of the environment. The reservoirs themselves are not any different than any other place. He said people are amused that the oil coming up at Prudhoe Bay is 140 degrees like it would be anywhere else. The reservoir engineering isn't really unique. He talked about innovative uses of natural gas. It has been injected back into the ground. There are the cold issues to deal with. Christine Economides said offshore reserve transport may come with a problem. Reinjection of natural gas may also be a problem there.

Sterling asked about the economics of the oil industry and employment in the oil industry for Alaska. Christine Economides said the state has backed the Petroleum Engineering Department so that some of the engineers in the industry will be indigenous to the state. Alaska hire laws have been respected by the industry, but it is important to have technically educated people in the industry. She thinks having an Alaskan as the head man in Alaska would reflect what Alaskans would like to see happen here. They have a strong engineering school here. It is important to see engineers from our own engineering school and business school moving into the industry and providing good expertise and providing that Alaskan understanding. Michael Economides said he will be more critical. He said the presumption here is taxing will do the trick. The state has derived a great amount of money from the industry. Development has been built by oil. He thought the state could try tax incentives. We are not a diversified economy in the state.

Sterling asked about the state developing a policy to improve the incorporation of Alaskans into the industry and what they can do to help the industry realize they want a long stable relationship. Christine Economides thought some of the things they see in the press tend to belittle this issue such as politicians using the issue of how we should spend the revenues because the oil is going to run out instead of making more use of the industry as it is today. She talked about the impact of the Haul Road on Fairbanks. Sterling asked about the training of professionals. Michael Economides talked about their good employment record. They have recruited people throughout the state. He thinks it is an area where young people can get into a high technology field and do very well. He said the industry has a reputation of belonging to outsiders. He would like to see future leaders from Anchorage and Fairbanks.

Sterling asked how important Alaska oil is to the needs of the United States and the issue of export to foreign countries. Christine Economides thinks Alaska oil production is 15-20 percent of the total oil produced in the United States. She said the government is going to have to protect the production of oil in Alaska such as with tariffs on foreign oil. Sterling asked if tariffs would have dire consequences. Michael said he hopes tariffs will never happen. He thinks they will never have the glut like they have now again. He said it is important to keep indigenous sources going for the national security of the country. Christine Economides talked about the consequences of taking out Alaska production. What was once a safe percentage of foreign oil production could become foreign oil control and it could have dire consequences. Sterling asked about exporting Alaskan oil. Christine said if they lifted the ban for exporting oil then markets would develop in Japan and Korea and it would be cheaper to export oil to those markets from Alaska instead of to the west coast or through Panama into the Gulf of Mexico as it is now. She talked about reduced transport costs for Alaska revenues. She said Alaska stands to gain as well as the United States. This will not immediately mean that all Alaska oil would go to foreign countries.

Michael Economides said he is upbeat about future oil development in the state. He would like to see a major improvement in training and education of Alaskans and not just at the university. Christine Economides said she is optimistic about the future oil production in the state. She thinks the state is becoming much more aware. The state needs to keep coming up with ideas to keep Alaska running all the time in the oil industry.

